

Exhibit 1

RIP RAPSON
IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

In re) Chapter 9
CITY OF DETROIT, MICHIGAN,) Case No. 13-53846
Debtor.) Hon. Steven W. Rhodes

The Videotaped Deposition of RIP RAPSON,
Taken at 1114 Washington Boulevard,
Detroit, Michigan,
Commencing at 9:02 a.m.,
Thursday, July 31, 2014,
Before Rebecca L. Russo, CSR-2759, RMR, CRR.

RIP RAPSON
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Weil Gotshal & Manges LLP
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RIP RAPSON
APPEARANCES:

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RIP RAPSON
DANIEL MORRIS, ESQ. (Via Telephone)
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Appearing on behalf of the Retiree Committee.

DIANA A. SANDERS, ESQ. (Via Telephone)
Chadbourne & Parke, LLP
30 Rockefeller Place
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Appearing on behalf of Assured Guaranty Municipal
Corp.

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| <p style="text-align: right;">Page 5</p> <p>1 RIP RAPSON 2 HARVEY KURZWEIL, ESQ. 3 DESIREE MARIE RIPO, ESQ. 4 Winston & Strawn LLP 5 200 Park Avenue 6 New York, New York 10166 7 Appearing on behalf of the Witness and the Kresge 8 Foundation. 9 10 11 12 13 14 ALSO PRESENT: 15 Justin Slanec - Video Technician 16 17 18 19 20 21 22 23 24 25</p> | <p style="text-align: right;">Page 7</p> <p>1 RIP RAPSON 2 Detroit, Michigan 3 Thursday, July 31, 2014 4 9:02 a.m. 5 6 7 VIDEO TECHNICIAN: We are now on the 8 record. This is the videotaped deposition of Rip 9 Rapson, being taken on Thursday, July 31st, 2014. The 10 time is now 9:02 a.m. 11 We are located at the Westin, in Detroit, 12 Michigan, and we are here in the matter -- or, I'm 13 sorry, In Re City of Detroit Bankruptcy. This is Case 14 Number 13-53846. 15 This matter is being held in the United 16 States Bankruptcy Court for the Eastern District of 17 Michigan. 18 My name is Justin Slanec, video technician. 19 Would the court reporter swear in the 20 witness and the attorneys briefly identify themselves, 21 for the record, please. 22 RIP RAPSON, 23 was thereupon called as a witness herein, and after 24 having first been duly sworn to testify to the truth, 25 the whole truth and nothing but the truth, was</p> |
| <p style="text-align: right;">Page 6</p> <p>1 TABLE OF CONTENTS 2 3 WITNESS PAGE 4 RIP RAPSON 5 6 EXAMINATION BY MR. MCCARTHY 9 7 8 EXHIBITS 9 10 EXHIBIT PAGE 11 (Exhibits attached to transcript.) 12 13 DEPOSITION EXHIBIT 1 15 14 DEPOSITION EXHIBIT 2 20 15 DEPOSITION EXHIBIT 3 53 16 DEPOSITION EXHIBIT 4 55 17 18 19 20 21 22 23 24 25</p> | <p style="text-align: right;">Page 8</p> <p>1 RIP RAPSON 2 examined and testified as follows: 3 MR. MCCARTHY: My name's Ed McCarthy, and 4 I'm with Weil Gotshal & Manges. I'm here on behalf of 5 FGIC. 6 MR. PATEL: My name is Pravin Patel, and 7 I'm with Weil Gotshal & Manges, and I'm also on behalf 8 of FGIC. 9 MR. KURZWEIL: Harvey Kurzweil, Winston & 10 Strawn, representing Mr. Rapson and the Kresge 11 Foundation. 12 MR. SHUMAKER: Greg Shumaker, Jones Day, 13 City of Detroit. 14 MS. RIPO: Desiree Ripa, from Winston & 15 Strawn, representing the witness, Mr. Rapson, and the 16 Kresge Foundation. 17 MS. HALADYNA: Kelly Haladyna, of Dickinson 18 Wright, representing the State of Michigan. 19 MR. MCCARTHY: Could the folks on the phone 20 please introduce themselves, for the record, briefly? 21 MR. MORRIS: This is Daniel Morris, with 22 Dentons, for the Retiree Committee. 23 MS. SANDERS: Diana Sanders, with 24 Chadbourne & Parke, for Assured Guaranty Municipal 25 Corp.</p> |

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2 frame?

3 A. I'm sorry, I just don't, I don't recall exactly when
4 it was.

5 Q. I'm asking those time frames, because, based on my
6 knowledge, they relate to the millage bid.

7 A. Okay.

8 Q. But to refresh your recollection, does that at all
9 spur your memory as to when it would have been?

10 A. Well, it would have been, it would have been prior to
11 the millage, so, again, I apologize, I don't recall
12 what the exact sequence might have been.

13 Q. Prior to Kresge's involvement in the Grand Bargain or
14 the mediation, et al, did Kresge have any formal plans
15 to donate to the DIA moving forward?

16 A. Yes.

17 Q. And what were those plans?

18 A. Kresge has developed a program shortly after I came in
19 which we provide operating support to a wide spectrum
20 of arts and cultural organizations in the southeast
21 Michigan area. It's, I think, risen to almost 60
22 organizations.

23 We calibrate those contributions based on
24 budget size, largely. It's a little bit formula
25 related, and the DIA is one of those.

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2 I think our, our support for them is, if I
3 recall correctly, approximately a hundred thousand
4 dollars a year in operating support.

5 Q. And that's a continuing amount, the hundred thousand
6 dollars a year?

7 A. Yes.

8 Q. Is that continuing as we sit here today?

9 A. Yes.

10 Q. And when did that, I guess agreement of Kresge to
11 provide a hundred thousand dollars, roughly, in
12 operating support to the DIA begin?

13 A. Boy, I want to say maybe 2007, 2008, approximately. I
14 think that's when we developed the program.

15 Q. How much money has Kresge agreed to contribute to the
16 Grand Bargain?

17 A. A hundred million dollars.

18 Q. Is that hundred million dollars more money than Kresge
19 has contributed to any one cause since your time at
20 Kresge?

21 A. To any one cause -- you mean any one institution or
22 cause?

23 Q. Let's start with institution.

24 A. Yes. I would -- could I just qualify that this
25 hundred million dollars was not a contribution to the

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2 Detroit Institute of Art.

3 Q. How would you describe the hundred million dollars?

4 A. It was a contribution to the effectuation of the Grand
5 Bargain.

6 Q. And do you believe that the hundred million dollars
7 that Kresge has agreed to contribute is in any way
8 tied to the DIA?

9 A. Our contribution is predicated on it serving three
10 purposes: One, to help expedite the resolution of the
11 bankruptcy; two, to soften the blow to pensioners; and
12 three, to help preserve the DIA's collection. So I
13 guess the answer would be yes.

14 Q. A portion of the hundred million dollars would go, in
15 your opinion, to the third prong of why Kresge is
16 contributing money to the Grand Bargain?

17 MR. SHUMAKER: Object to the form.

18 MR. MORRIS: Object to the form.

19 A. I was going to object to the form, as well --

20 BY MR. MCCARTHY:

21 Q. You're entitled to.

22 A. -- in the sense that we didn't allocate money to those
23 three prongs. We allocated money to the totality of
24 the package.

25 Q. You mentioned the first prong was to help expedite the

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2 resolution of the bankruptcy, correct?

3 A. That's correct.

4 Q. And how do you believe the Grand Bargain would help
5 expedite the resolution of the bankruptcy?

6 A. It provides additional resources that help resolve two
7 of the major sticking points to the resolution, both
8 by helping alleviate the pressure on pensioners and by
9 safeguarding the Detroit Institute's assets.

10 I think in both of those senses if you can
11 get rid of -- not get rid of, if you can help
12 ameliorate both of those issues, then you've
13 presumably enabled the -- given, given tools to help
14 the bankruptcy move forward.

15 Q. And I believe you've -- I've seen in some of my
16 diligence for today you talk about the three prongs
17 here you just mentioned, which is expediting the
18 resolution of the bankruptcy, softening the blow to
19 the pensioners, and preserving the collection at the
20 DIA. Is that true?

21 A. Have I said that or written about that? Yes.

22 Q. And did you develop these three prongs as you've
23 stated them?

24 A. They -- I'm not sure that it's a thought original to
25 me, but that is the way that we've conceptualized and

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characterized why we would have been engaged in the process.

Q. And that is what I am getting at. As you sit here today, do you know who the thought of these three prongs originated with? Was it inside Kresge, outside of Kresge?

MR. SHUMAKER: Object to the form.

BY MR. MCCARTHY:

Q. When was the first time you heard of these three prongs that you've referenced with respect to the reasoning for becoming involved with the Grand Bargain?

A. I'm hesitating, because this is sort of the mental formulation that I've arrived at. If other people have arrived at that independently of me, I guess I have no knowledge of that, but this is the way I've always felt I could think about why we were doing what we were doing.

Q. And as you sit here today, is it your testimony, then, based on your memory, you believe you came up with these three prongs --

A. Oh, no.

Q. -- thoughts in your head?

A. Were other, lots of other people talking the same

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that might be lodged in bankruptcy.

Q. Have you done any independent, you or Kresge, to your knowledge, done any independent analysis, research, studies, regarding how the Grand Bargain preserves the collection at the DIA?

A. I don't understand that question, I'm sorry.

Q. There's been some arguments from numerous parties on both sides in the Detroit bankruptcy about whether the collection at the DIA is held in trust. Are you aware of that?

A. Yes.

Q. Have you or anyone at Kresge, to your knowledge, done any independent analysis or research regarding whether the collection at the DIA is currently held in trust?

A. We have not.

Q. Have you, you personally reviewed any, anyone else's analysis or study regarding whether the DIA collection is held in trust?

A. Only what I've read of in the newspapers.

Q. Do you intend to or would you expect that you would provide any testimony at a trial in the bankruptcy on whether the collection at the DIA is held in trust?

A. It depends on my lawyers, but I don't -- I'm not an expert in public trusts or in the legal issues

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language? Probably. So I don't think I could attribute to a particular source. It just, this just seemed, the way the package was being assembled, it permitted these three objectives to be met.

Q. How does Kresge's involvement with the Grand Bargain help soften the blow to pensioners?

A. One of the conditions of the contribution that the foundation's developed that's included in the plan of adjustment is that the money needs to be applied to the pensioners, as I understand it.

Q. And how does Kresge's involvement with the Grand Bargain help preserve the collection of the DIA?

A. Another condition of the plan of adjustment -- of the conditions that the foundation articulated for the plan of adjustment was that we create an intermediary structure that is able to receive -- let's see, how does this work. That at the end of the day, the DIA is transferred out of City ownership and that we've created a -- well, let me -- I'll stop there.

That the DIA is transferred out of City ownership into independent ownership.

Q. And how does that help preserve the collection of the DIA?

A. Presumably, it buffers it from a claim -- the claims

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undermining -- undergirding them.

Q. Outside of the Grand Bargain, has the DIA -- has the Kresge Foundation ever contributed funds during your time there to help soften the blow of pensioners in any particular municipality?

A. I'm hesitating, because much of what Kresge does is to try to create buffers for low-income people and opportunities for low-income people to, to enter the economic mainstream and participate fully in civic life.

So I think the, the objective of our foundation is to, as you've put the document to me earlier, is to improve the lives of poor and low-income children and adults.

So in some ways I think we've indirectly helped people who are on pensions and who aren't on pensions, but without, again, meaning to split hairs, we have never directly invested in pensioners nor are we -- again, nor is that the way we have designated these funds.

We have designated these funds to be part of a pool of money with multiple objectives.

Q. Is it fair to say that Kresge Foundation's contribution or proposed contribution to the Grand

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| <p style="text-align: right;">Page 49</p> <p>1 RIP RAPSON</p> <p>2 Bargain would be the most direct way that Kresge has</p> <p>3 ever contributed funds to soften the blow of</p> <p>4 pensioners since the time you've been there?</p> <p>5 A. Yes.</p> <p>6 Q. And why is that? Why is it that, in this instance,</p> <p>7 with the Grand Bargain, Kresge has determined to do</p> <p>8 something it hasn't done in the past during your time</p> <p>9 there, specifically with respect to softening the blow</p> <p>10 to pensioners?</p> <p>11 A. The calculus that we did in making our contribution to</p> <p>12 the Grand Bargain was that it would accomplish three</p> <p>13 objectives simultaneously. We've walked through</p> <p>14 those. That was the reason for taking the action.</p> <p>15 Q. Does the Kresge Foundation deem any one of the three</p> <p>16 objectives that we've talked about to be more</p> <p>17 important than the other objectives?</p> <p>18 A. No. I would, I would answer it a slightly different</p> <p>19 way. I would say all three are essential. I don't</p> <p>20 think any one is more essential than the others.</p> <p>21 Q. I'm trying to get at specifically the second objective</p> <p>22 that you mentioned, softening the blow to the</p> <p>23 pensioners.</p> <p>24 A. Mmm-hmm.</p> <p>25 Q. Are you able, as you sit here today, to answer whether</p> | <p style="text-align: right;">Page 51</p> <p>1 RIP RAPSON</p> <p>2 MR. KURZWEIL: Object to the form of the</p> <p>3 question.</p> <p>4 MR. MORRIS: Objection, form.</p> <p>5 A. These are folks who have dedicated their life to</p> <p>6 serving the City of Detroit. If they were to be</p> <p>7 thrown into economic duress, many of the first</p> <p>8 principles that Kresge and others are working on in</p> <p>9 Detroit would be made far more difficult. You have a,</p> <p>10 you would have a series of economic hardships that</p> <p>11 would stress the safety net. You would begin seeing</p> <p>12 calls on both foundation, state, and local resources</p> <p>13 that would, that would tax us all.</p> <p>14 So it seems to me that doing the least</p> <p>15 economic harm to individuals who have contributed</p> <p>16 their lives to the welfare of the City is a sensible</p> <p>17 thing to be concerned about.</p> <p>18 BY MR. MCCARTHY:</p> <p>19 Q. Has -- have you or the Kresge Foundation, to your</p> <p>20 knowledge, done any independent study or analysis on</p> <p>21 the wealth of any particular pensioner?</p> <p>22 A. I'm not sure I -- have we studied an individual</p> <p>23 pensioner's economic situation?</p> <p>24 Q. Yes.</p> <p>25 A. Studied, no. There certainly has been plenty written</p> |
| <p style="text-align: right;">Page 50</p> <p>1 RIP RAPSON</p> <p>2 Kresge would have agreed to potentially contribute to</p> <p>3 the Grand Bargain, assuming softening the blow to the</p> <p>4 pensioners was not one of the objectives?</p> <p>5 A. It would not have.</p> <p>6 MR. MORRIS: Objection, form.</p> <p>7 BY MR. MCCARTHY:</p> <p>8 Q. And why is that?</p> <p>9 A. Because we needed to see all three objectives</p> <p>10 satisfied.</p> <p>11 Q. And why is it important for Kresge to soften the blow</p> <p>12 for the pensioners in this particular instance?</p> <p>13 MR. SHUMAKER: Objection, form --</p> <p>14 A. I think I've answered the question.</p> <p>15 MR. SHUMAKER: -- asked and answered.</p> <p>16 BY MR. MCCARTHY:</p> <p>17 Q. Outside of Kresge's desire to see all three of the</p> <p>18 objectives we've talked about, expediting the</p> <p>19 resolution of the bankruptcy, softening the blow to</p> <p>20 the pensioners, and preserving the collection at the</p> <p>21 DIA, all move forward, are there any other specific</p> <p>22 reasons you can tell me that -- as to why Kresge deems</p> <p>23 it important to have objective number two, softening</p> <p>24 the blow to the pensioners, move forward as an</p> <p>25 objective?</p> | <p style="text-align: right;">Page 52</p> <p>1 RIP RAPSON</p> <p>2 about it.</p> <p>3 Q. Written about the current pensioners of the City of</p> <p>4 Detroit?</p> <p>5 A. Mmm-hmm.</p> <p>6 Q. And written about how the current pensioners of the</p> <p>7 City of Detroit would be in need of having their</p> <p>8 pensions continued?</p> <p>9 A. Would be harmed were their pensions reduced.</p> <p>10 Q. Let's take a step back from that. Have you looked</p> <p>11 at -- have you seen anything written, or studies or</p> <p>12 research regarding the current financial situation of</p> <p>13 the pensioners, notwithstanding whether their pensions</p> <p>14 would be reduced or fulfilled at a ninety percent rate</p> <p>15 or a hundred percent rate?</p> <p>16 A. Again, I'm sorry, I'm not tracking the question. What</p> <p>17 are you asking?</p> <p>18 Q. Well, for instance, you can tell me probably for</p> <p>19 yourself, and I'm not asking, but what is your current</p> <p>20 financial situation, not looking into the future, but</p> <p>21 how much money you have right now, how much debt you</p> <p>22 have right now.</p> <p>23 Have you seen anything written about the</p> <p>24 current financial situation, income, assets, versus</p> <p>25 debt of the pensioners of the City of Detroit?</p> |

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